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COMMERCIAL LEADERSHIP AND TRADE MORALITY.

IT is needless to say that Americans are gratified, as they should be, at their present industrial prosperity, which amounts almost to leadership. Our wealth, production, and total internal and external commerce are greater than those of any other nation. But mere unqualified gratification is, after all, an empty and a foolish thing. It is a supreme intoxication which loses sight of the interests of other nationalities and the need we have of them, and persuades us that the world and the fulness thereof are for ourselves alone. Nothing could be more foolish, more self-destructive, than this kind of bacchanalia. Every nation has its day. It is true that even the most Puritan sobriety cannot repress the growth of rivals. Jingoism, however, precipitates downfall. It is one thing that others become more wealthy and prosperous than we are, in the fair field of a well-policed and moralized rivalry; it is quite another thing that we, in our own weakness, through fatuous ignorance, pride of purse, slothfulness, industrial disorganization, and trade dissension, fall behind our rivals. A large view over the field of international enterprise will not be without its practical application.

In the nature of things, one nation cannot always be the industrial and commercial leader. The history of civilized man shows that the palm of industrial supremacy has passed from nation to nation, never to return to the same hands. One reason for this shifting of prosperity has been the gradual extension of civilization over the earth through discovery and colonization; but when Africa shall have been completely occupied and utilized, and Asia and South America highly civilized, it is doubtful if this process of the shifting of prosperity will yet have been completed.

From Nineveh the center of commerce passed to the Phœnicians, who seem to have emigrated from the Persian Gulf by way

of the Red Sea to Sidon and Tyre. The Semitic peoples have ever been the organizers of the world's commerce, and they early taught its mysteries to the Greeks and Romans. Rome, however, cared little for commerce, except in its financial aspect, and left it to the Greek and Phœnician cities, whose vessels ventured into the Atlantic as far as England. After the fall of Rome came the Dark Ages, and the wealth and commerce of the world best known to us made little progress, although they probably did not decline so much as is often supposed.

But another race of men now took the palm of industry and commerce, namely, the Arabs; and the economic center went to Bagdad. The Arabian empire encouraged commerce. Its great cities, scattered along the African coasts, carried on an active commerce with the eastern empire and with the cities of France and Italy; while the western part of the Arabian empire, situated in Spain, rivaled the eastern as leader of civilization. Perhaps the prolongation of the existence of the eastern empire of Byzantium was due to the fact that it was closest to the chief center of Arab civilization, and hence through commerce reflected the latter's prosperity.

Commerce, however, was not to develop permanently along the very tolerable lines worked out by Christian and Arab. A great change came over the civilized world, which was threatened with suffocation by the sudden and violent cutting off of its communication with the chief source of its enlightenment. The Turks, a rude Asiatic tribe, were converted to Mohammedanism without absorbing the Arab civilization and advanced polity. Sweeping down from central Asia, they wrested from the Arabs their possessions along the eastern and southern shores of the Mediterranean Sea. They surrounded the Christian world and cut it off completely from communication with the Arabs. As a military operation, this surrounding of Europe is not dissimilar to the attempt that France made at a later day, in a region equally vast, to surround the English colonies in America in order to prevent their expansion westward.

We now obtain new light upon the meaning of the crusades, and perceive that their ostensible objects and motives were

different from the real ones. The religious sentiment undoubtedly was preponderant in the masses; commercial calculations were influential with the classes.

During the century preceding the crusades, the commerce between Constantinople and the West increased quite rapidly. The Italian cities particularly were profiting by this trade. Venice had already begun a very lucrative trade with eastern Moslems as well as Christians. Amalfi traded extensively with Kairowan, Alexandria, Constantinople, and Syria. Pisa and Genoa were also developing. When the progress of the Turks and the dismemberment of the caliphate of Bagdad substituted for the mild and tolerant domination of the Arabians a despotic tyranny, the danger of having their commerce stopped by the encroachments of these half-savage fanatics made the western Mediterranean cities very willing to encourage the crusade movement. This danger to commerce gave a solid backbone to the crusades, and to an increasing extent the commercial interests came to dominate these movements.

From the very beginning, Venice, Genoa, Pisa, and Marseilles took a very active part in the conquest of Syria. For all their services, these would-be protectors of the Cross were rewarded liberally by exemptions from trading dues in many countries, by grants of territories commercially strategic, by cessions of commercial quarters in conquered cities, and frequently by large money payments.¹

Arab industry and commerce having thus been suffocated beyond power of crusaders to resuscitate, it was the great commercial cities of France and Italy, especially Venice, Genoa, and Pisa, that now contended for commercial supremacy. In the long run Venice had the advantage, for she lay closer to the trade routes of northern Italy, and upon the shortest route from the East to northern and northwestern Europe. This trade was fostering the rise of the Hanscatic, Suabian, and Rhenish cities, the infant industry of Flanders, of northern France, and of England, and gave to some of their localities a temporary importance, while others were laying the foundation of permanent future greatness or even supremacy.

At the opening of modern times the palm of commercial supremacy passed to the Portuguese. They executed a flank movement around the Turkish advance by discovering the route to the East by the Cape of Good Hope, and demonstrated in the East the greater vigor of the man that has been trained

¹ W. C. WEBSTER, *General History of Commerce*, p. 49.

in the school of the westward movement. Forcibly conquering a foothold along the eastern coast of Africa, and the whole southern and eastern coasts of Asia, including its islands, the Portuguese amassed vast wealth, won in large measure as spoils under the name of commercial profits. They were, however, except in the industry of shipbuilding, a purely commercial people; and yet they did not attempt a monopoly of European commerce. It was Dutch and English vessels that came to Lisbon to distribute through northern Europe the spoils brought from the Orient. Venice and Genoa were no longer the indispensable means of the world's traffic. They declined from atrophy. Commerce had found other arteries. But the Portuguese commercial empire itself ultimately declined, largely, it would appear, from the enervating effect upon the Portuguese themselves of their own success.

In fact, during the whole of the Portuguese trade dominance the first place in the world's commerce was disputed with Portugal by Spain. The Spanish conquests were in the West; but the rise of the Spanish trade was somewhat later than that of Portugal, so that it may perhaps be said that the palm was passed from Portugal to Spain. In fact, Spain ultimately conquered Portugal, but shortly after this conquest the Hispano-Portuguese commercial supremacy left both communities and passed over to Holland.

Now at last occurred the fruition of the seeds of commerce and industry that had long before been planted in northern Europe by the overland trade from Venice. The Hanseatic cities, it is true, suffered from the decline of Venice, but they had passed the impulse along to Flanders and the Netherlands. Flanders also, which had been the leader in northern European industry and commerce, now suffered from having sided with Spain when the northern provinces of the Low Countries revolted, and the little country known to us as Holland now succeeded to the leadership of the commercial and industrial nations, and magnified it in a way hitherto unknown to the world.

However, the commercial leadership was becoming more and more industrial. Commerce grew because manufactures grew.

The older commerce involved a vast expenditure for the transportation of a small quantity of commodities produced at specially favored points. Now the camel was put out of commission, the tonnage of ships was increased, manufacturing became general, and it became impossible for those nations to retain the commercial supremacy which did not vigorously foster industrial and agricultural pursuits. With this extension of the economic field came a further one: finance and financial speculation assumed a general direction of the large economic interests now appearing on the scene.

So Holland was too small a country to succeed permanently in retaining the supremacy. The spread of manufactures and agriculture meant that the leadership of the future must continually go to larger and larger countries. Which was to succeed Holland as the standard bearer, France or England? Two things were in favor of England. The Reformation had not been followed by severe religious persecutions; the English revolution had found the Puritan industrial elements relatively stronger than in any other country; and, secondly, England possessed the longest seacoast and the most central position, not only among the enterprising nations of northern Europe, but at the center of the land-hemisphere of the world. Thus her marine grew with rapidity, and her colonies grew as rapidly. Some colonies she founded by original settlement in territory sparsely occupied by savages, as in America, and others she obtained by conquest and by the treaties that followed the continental wars of the eighteenth century. The Dutch had conquered most of the Portuguese possessions in the East, and now England in turn took most of these away from the Dutch. Her wars with France and Spain gained for her Canada and much of the West and East Indies.

In the meanwhile, France also was growing in wealth and power; but her progress was less uniform. During some long administrations, like Colbert's and Mazarin's, she made giant strides; at other times she wasted her strength in preying upon her neighbors, in annexing the valley of the Rhine, and in persecution of Protestants. From the commercial point of view, the empire of Napoleon and his continental system are to be looked

upon as a distinct attempt by France to wrest from England her commercial and industrial leadership. Napoleon sought to starve out England. He extended his sphere of influence over the European continent and forbade it, under the severest penalties, to trade with England. The attempt was too gigantic for even his immense power.

Up to his time it had held true that trade followed the flag. Political conquest had been synonymous with commercial conquests. The reason for this was that state control of commerce had always been the rule. It had seemed proper and natural that colonial possessions should be forbidden to trade except with the mother city or country. No other idea had entered the minds of rulers, ruling classes, and ruling communities. Gradually, however, a different practice sprung up. The sanction of law was insufficient to prescribe the channels of trade and the location of industries. Men's views as to the propriety of protective regulations were shaken; the *octrois*, the transit duties, the Danubian tolls, and the Sound dues were abolished; and the failure of Napoleon's attempt to gain commercial supremacy by political conquest we may write down as the end of the ancient doctrine of protection, although in a more and more modified form it has lingered on under the modern system of tariffs and the modern doctrine that trade follows the flag.

England was the first to perceive the logic of the situation, and in a remarkably consequent series of legislative enactments she freed her commerce, opened it to all nations, relieved her colonies from the prohibition of trade with foreign countries, and abolished her prohibitions on exportations and importations, and finally her protective tariff itself. Undoubtedly the successful rebellion of the American colonies, aided by chagrined France, was a potent factor in convincing England that the day of the protective policy was forever past.

At the present day the great nations of the world are engaged in a more equal race for wealth than has ever been witnessed before. Germany and the United States have pushed to the front, not from the weakness of England, but by their own vigor. France has continued to increase in wealth, but at a slower rate,

and unfortunately she has been unable to continue the liberal policy of trade inaugurated by the nephew of the great Napoleon. France is the home of art and agriculture. These pursuits have so engrossed her as to leave little field for brute products of the mine and foundry. The present age is, however, an age of brute products. The wealth of the world consists largely in them, and hence France has fallen from the first to the third, if not the fourth, place in the scale of wealthy nations. In the last decade, while the foreign trade of England, Germany, and the United States has increased enormously, that of France has stood stationary. We must remember, however, that France is still a leader in art and science, and that the greatness of nations is not necessarily economic.

For over two hundred years we find that Great Britain has contested, and for much of the time held, the mercantile and industrial supremacy of the world. Her mercantile marine is nearly equal to that of the whole of the rest of the world; in other words, she has 48.5 per cent. of the carrying power; whereas the merchant shipping of the United States has about 18.7 per cent. of the carrying power. The United States since 1860 has lost more shipping than England has gained. In 1860 the United States merchant marine had greater carrying power than that of Great Britain (36.5 per cent. as compared with Great Britain's 33.2 per cent.).

It is certainly gratifying to all fair-minded men that the progress of the United States is not due to the decay and retrogression of its great rivals. The reasons why the United States has surpassed them are commonly stated to be the extent and richness of its coal and mineral deposits, and the organization of its industry. As to the future, it is natural to expect that the same elements that cause our present prosperity will continue it. Our coal deposits, and those of China as well, are regarded as practically inexhaustible. As to our ingenuity and ambition, will they continue the same when the stimulus of the new environment shall have passed away and American society shall have become as static as that of Europe?

The secret of human progress lies in novelty. Economists

have discovered the law of *satiabile wants*, and have explained it so as really to make it a law of *insatiable wants*; they say that each want is satiable, but that its satisfaction makes room for a new and, let us hope, a higher one. Such is the nature of progress. We cannot progress if kept eternally at work at the same gross tasks. And conversely, if we are satisfied with one course of conduct or industry, we can progress only if willing to attempt another.

Doubtless for a long time we may look for a continuation of leadership. When people speculate as to the permanence of prosperity, they are not thinking of eternity nor of a hundred years hence. They are thinking of the next twenty-five or thirty years—hardly more. If we were speculating upon a more distant future, we should have to take account of other elements. It is hardly possible that such materialistic facts as coal and iron can suffice for perpetual prosperity and enterprise. Prosperity means continued ambition, endeavor, zeal, and progress. Progress can hardly consist in forever turning out increasing amounts of brute products. The time must come in the future of this nation when it will not be satisfied with them, but will desire more and more refined activities. In that distant day our coal and iron will profit us little. In fact, the coal deposits of China are said to be greater than those of the United States.

Upon the theory just advanced, the day will come when we shall be glad to hand over brute production to the Chinese. The only question is whether the Chinese will be willing to wait till we are ready, or will prematurely wrest from us the privilege of the grosser labors while we still covet them. If left to themselves, they would wait doubtless, as they have waited from immemorial antiquity. But now adventurers, financiers, and speculators are organizing slowly but surely the industry of the Celestial Empire, and we have not so very many years to wait before the fury of economic passion shall madden its millions. If China some day takes from us the economic palm, it will have enriched us in the taking. A rich China means an unlimited market for American wheat. This means the building up of a thick and industrious population throughout the arid West of America

and along the Pacific coast. All the irrigable lands of the United States will bear a rich harvest, and the Pacific railroad and ocean lines will be fully employed.

To what extent China will be under foreign political control we do not yet know. She seems to us now like a nation without power of political organization. In case of her dismemberment, the different Christian powers will attempt, perhaps, each to retain the trade of its own share of China, and the question as to the policy of open or closed door will become international in a new sense. The policy of the United States in China is the same, in effect, as that in South America: to foster trade relations while guaranteeing local self-government. If, however, the aggressive land-grabbing policy of Europe prevail in China, the question of colonial tariffs in so many dependencies will become all the more acute. Are the preferential duties of the Philippines to stand? The academic debate of the seventeenth century as to whether the different nations should severally claim and exercise dominion over the sea is now transferred to the land. The logic of events has long since declared in favor of the open sea, free to the commerce of all individuals, without prejudice of nationality. The *mare liberum* of Grotius has triumphed over the *mare clausum* of Selden. Shall the *terra libera* prevail over the *terra clausa*?

The question of the "open door" is nothing but the last phase of the question of trade following the flag, and that again is the latest stage of the world-problem of government control of commerce. As already shown, that question was decided by the Napoleonic wars so far as contiguous territory was concerned. It was then decided that trade was not to be acquired by conquest of neighboring nations equal in civilization to the conqueror; and it was England that had the perspicacity to perceive the change in the moral order, and that had the boldness to seize the opportunity for a free-trade policy. But the question still continues as to dependencies which are distant and of inferior civilization. It is true that England extended the free-trade policy to her colonial commerce by the repeal of the navigation acts in 1849. But other nations have declined to follow the liberal policy of England in the matter of colonial commerce as well as in that of

domestic commerce. It is hard, however, to believe that they will persist in the refusal: it is hard to believe that China is to be cut up into segments, barred against each other and all nations, except their respective proprietors, by tariff walls. The idea is too mediæval. The very enforcement of it would react against the protective policy at home. The bald, selfish facts would offend the moral sense, the crystallized convenience, of the modern world. The whole meaning in the old idea of a colonial empire, gained generally by forcible conquest, lay in the protective policy. The Portuguese, Spanish, Dutch, French, and English did not conquer their colonial empires with the intention of holding them as curiosities, nor for the mere glory of power, nor in order to convert the nations and civilize them, nor in order to make those distant parts safe for the trade of other nations. They had none of these purposes in view. Their object was to secure the trade of the colonies for themselves alone, and for this purpose the national government took the commerce largely in hand and enacted the most stringent prohibitions against any permission to foreigners to trade.

The Portuguese commercial policy was what one might expect from the illiberal ideas then prevailing. . . . Portuguese merchants were of course the only ones allowed to bring goods from the Indies by the Cape route. But this was not all: the Portuguese government reserved to itself the monopoly of certain spices; finally the government also monopolized the intermediate commerce between different sections of the East. . . . Hindoo boats were allowed to trade only along the coasts on the permits of the viceroy, good only for one year, and revocable if they carried certain prohibited articles reserved to the Portuguese. Military stations were established in every part of the commercial empire to guard against infractions of the rigid monopoly. . . . No one could engage even in interior trade except on a permit from the Portuguese authorities.²

We see, therefore, that *trade follows the flag so long as it is compelled to* and no longer; and the question how long in the world's history trade can be compelled to follow the flag, even as a matter of colonial policy, is partly a moral one, but partly an economic one. The trade of the United States with Great Britain, for example, has gone on increasing notwithstanding the American Revolution. In 1897 Great Britain drew 25 per cent. of her

² WEBSTER, *op. cit.*, p. 117.

imports from the United States and sent 12.9 per cent. of her exports to the United States—an extraordinarily large percentage of the trade of one nation to be absorbed by another. Evidently this continuation of trade was on account, not only of similarity of customs and institutions of the two countries, but on account of dissimilarity of products. Even our exportation of machinery to England is a case of dissimilarity of products. Our machines are rarely the very same articles as those made in England. If England do not produce articles different from ours, she cannot, in the long run, buy ours. The struggle for markets forces the unsuccessful competitors to try new products.

It is plain from this sketch of the world's commerce that in modern times it is becoming more and more difficult for trade to be forced into certain channels by trade regulation. Production and exchange are becoming too complicated to be amenable to control. Articles very similar are nevertheless best produced at very distant places, such as the different grades of wool and woolens. The mediæval colonial empires were practically founded in order to rob weak peoples under the guise of trade. Modern colonies cannot be controlled on this basis. The complexity of modern commerce will enforce a new morality, and if this new morality prohibits the policy of the closed door, and if mere aimless display of empire is not a sufficient ground for conquest, why then the only rational excuse for the maintenance of colonies will be in order to moralize and police them, and thus to gain trade advantages which will benefit the metropolis, while they will not be denied to other countries.

At the present moment we are the greatest agricultural nation in the world. Our system of land transportation is nearly equal to that of the whole of the rest of the world. We are the greatest producers of steel and iron, of agricultural and many other kinds of machinery, of cotton, copper, boots and shoes, and many other things. Our annual product is probably equal in value to that of England and Germany combined.

On the other hand, in water transportation England is as pre-eminent as is the United States in land transportation, her shipping, as remarked, having 48.5 per cent. of the carrying power

of the world. She is also the greatest producer of cotton manufactures. Even in the agriculture of the temperate zone some foreign countries far surpass us in certain products. For instance, we produce but little rye compared with Germany or Russia, and but little wine compared with France. In fact, little France produces in some years four-fifths as much wheat as the whole of the United States. Rice, the staple food of the most populous continent, Asia, is but a small crop with us. If we expect to work up a large grain trade with the Orient, we must first wean the orientals from their rice and teach them to eat wheat, or else vastly extend our rice culture—a perfectly feasible proposition. After all, is this ambition to supply Asia as well as Europe with wheat consistent with the other ambition to flood the world with our manufactures? Of course, it is not necessary to reach an academic decision on this question. Go ahead and do your best; you cannot get more than the laws of competition, within the existing moral order, will give you!

We have managed to estrange ourselves from our neighbors on the north. Many persons believe that if the policy of the reciprocity treaty of 1854 with Canada had been pursued, Canada would have been practically a part of the United States by this time; for a customs union must have followed a continued observance of close reciprocity, and a customs union is the surest road to a political union. Similarly in the south—none of the nations south of us is anxious to establish trade relations; and whether it is to be good policy for us to imitate the mediæval system of colonization and trade restriction in the south, under the guise of a sphere of influence backed up by the Monroe Doctrine, is a grave question. As above remarked, the Monroe Doctrine cannot be used to excuse aggression, for it inculcates the defense of local governments. Our relations with South America require cool judgment and careful watching. The slightest attempt at undue pushing of our interests in that direction will be fatal to our commercial aspirations. At the same time, neglect of our legitimate opportunities in South America or Asia would be unpatriotic, weak, and unprofitable.

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